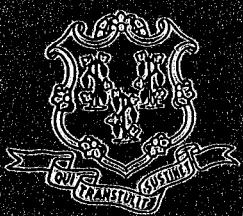


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STATE OF CONNECTICUT

BLUE RIBBON COMMISSION  
ON HOUSING



REPORT TO THE

GOVERNOR

AND THE

GENERAL ASSEMBLY

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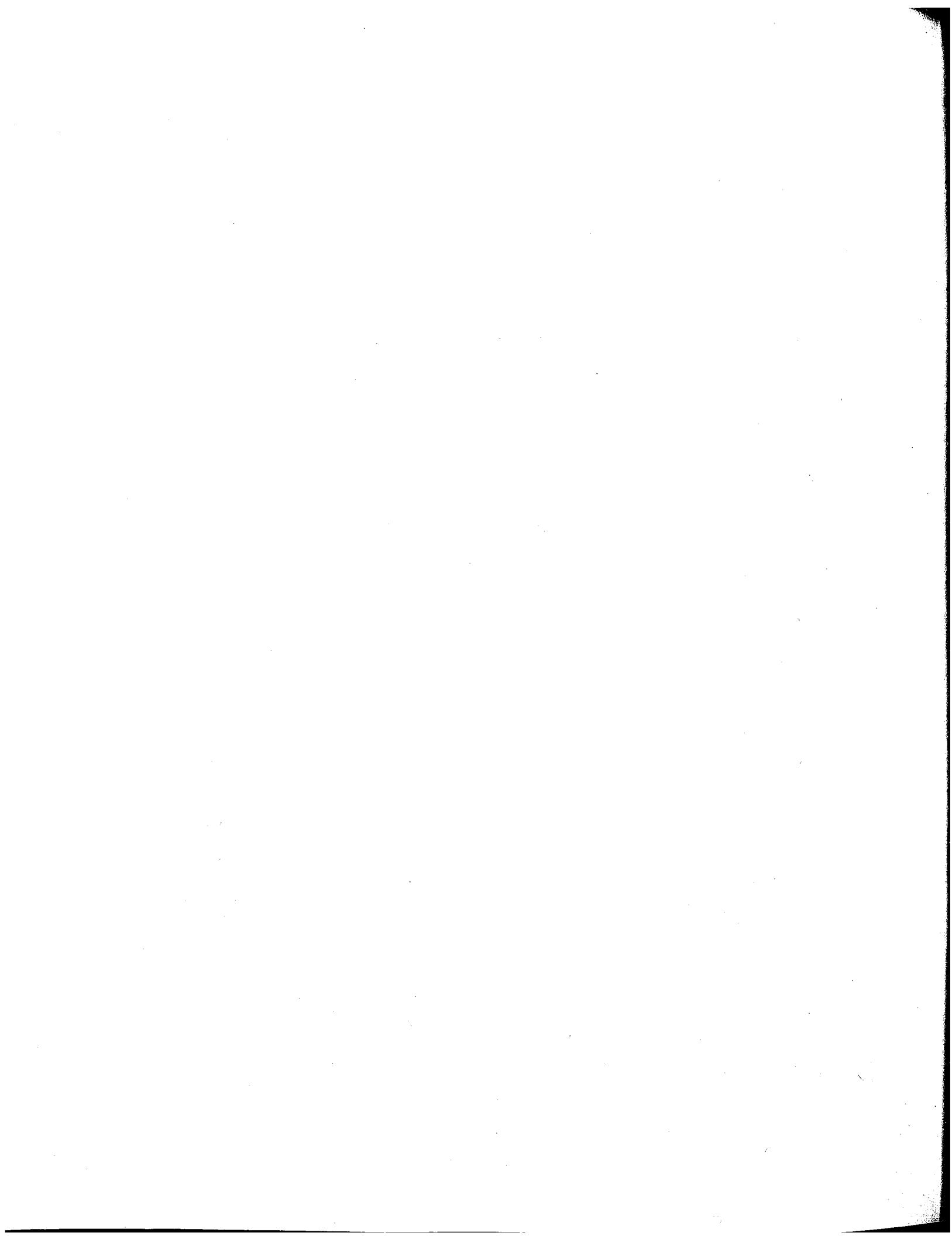
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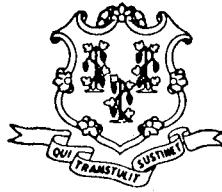
STATE OF CONNECTICUT  
BLUE RIBBON COMMISSION ON HOUSING  
REPORT AND RECOMMENDATIONS  
TO THE  
GOVERNOR  
AND  
GENERAL ASSEMBLY

MARCH 1, 1988

Commissioner John F. Papandrea  
Arthur T. Anderson  
Co-Chairmen

William J. McDonough  
Executive Director





Blue Ribbon Commission  
On Housing  
State Capitol — Room 415  
Hartford, Connecticut 06106

Co-Chairmen  
Commissioner John F. Papandrea  
Arthur T. Anderson

Executive Director  
William J. McDonough  
203-240-8878

March 1, 1988

The Honorable William A. O'Neill, Governor  
Representative Irving Stolberg, Speaker of the House of  
Representatives  
Senator John Larson, President Pro Tempore  
Representative Robert Jaekle, Minority Leader  
Senator Reginald J. Smith, Minority Leader  
State of Connecticut  
State Capitol

Dear Governor O'Neill, Speaker Stolberg, Senator Larson,  
Representative Jaekle, and Senator Smith:

The Blue Ribbon Commission on Housing is pleased to present its report and recommendations.

We believe that the state's crisis of affordable housing is severe, that it is felt in every geographic region in the state and that it affects large numbers of families and individuals in nearly every income group particularly those who are below the poverty line. Unless the crisis is addressed with the responsible commitment of resources and willpower from state, federal and local governments as well as from the private sector, the negative impact, particularly on low and moderate income households, will worsen. The welfare of our citizens and the economic vitality of our state is at risk.

We believe that there is a willingness on the part of all of the sectors involved in the delivery of affordable housing to acknowledge the severity of the problem and to work cooperatively toward its resolution. The executive and legislative branches of state government have already clearly indicated their commitment. Still, even greater resources, both financial and political, will be required in the future.

Governor O'Neill  
Speaker Stolberg  
Senator Larson  
Representative Jaekle  
Senator Smith  
page 2

As you know, we have met frequently to assess the affordable housing needs of the state and to develop a comprehensive housing plan which would guide the state in its efforts to combat the housing crisis over the next decade. We are confident that our recommendations represent the right direction for the state to move. We would like to see our recommendations implemented.

The Commission is aware that, because of time constraints, it has not had the opportunity to fully explore all aspects of the housing crisis nor to delineate the full range of potential recommendations. Some of the problems are enormously complex and deserve further consideration. Similarly, some of the potential solutions have broad-ranging implications which require further study. We understand that legislative action on some of our recommendations may not be possible during the current session of the legislature. Therefore, we believe that the Commission should be extended through February 1, 1989, to allow for continued study and refinement of our recommendations. The Commission is prepared and anxious to continue its deliberations until a comprehensive housing plan for the state has emerged.

Sincerely,

The Honorable John F. Papandrea  
Co-Chairman

Arthur T. Anderson  
Co-Chairman

Enclosure

BLUE RIBBON COMMISSION ON HOUSING

REPORT AND RECOMMENDATIONS

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## EXECUTIVE SUMMARY OF RESOLUTIONS

1. Establish the Connecticut Housing Partnership between municipalities and the state to cooperatively develop ways to create affordable housing. Provide financial and other incentives to municipalities.
2. Authorize implementation of Private Rental Investment Mortgage and Equity, PRIME, program to facilitate development of affordable housing within larger mixed income developments.
3. Implement state-as-developer pilot program.
4. Provide broad package of financial and technical assistance supports for non-profit housing development corporations.
5. Improve and expand existing state Rental Assistance Program.
6. Expand use of state tax credits to leverage private sector financial commitments to affordable housing development.
7. Increase responsibilities and authority of State Building Official to ensure the uniform interpretation of state building codes by local building officials.
8. Target state programs and develop local incentives to encourage and support the preservation of existing housing.
9. Conduct inventory of all excess federal, state and municipal lands that could be used for affordable housing.
10. Require housing authorities to report annually to local government and to send copy of reports to state Department of Housing.
11. Authorize local planning and zoning commissions to adopt inclusionary zoning programs. Not a mandate.
12. Prohibit the adoption of minimum floor area requirements for residential dwellings as part of local zoning regulations.
13. Require municipalities to treat manufactured homes the same as other forms of housing in both zoning and subdivision regulations.
14. Require each municipality exercising zoning, planning, or land use ordinance powers to zone a reasonable amount of its land...to permit multi-family housing without age-based restrictions.

EXECUTIVE SUMMARY  
page 2

15. Request development of specific maximum land areas that can be specified as minimum lot size under normal conditions.
16. Amend C.G.S. 8.2 (zoning enabling statutes) to establish a standard of affordable housing in a municipality.
17. Require that part (25%-35%) of any state grant of monetary assistance, for the acquisition of land for open space be used by the recipient municipality to purchase land for affordable housing.
18. Establish a state housing appeals board through which local land use decisions can be appealed.
19. Review and propose revisions in all housing related (except CHFA) statutes and regulations.
20. Review state building codes to eliminate items which increase costs but do not necessarily improve general welfare and safety of the public.
21. Prevent the sunsetting of mortgage revenue bonds proposed by federal government.
22. Prevent the sunsetting of Section 8 Existing subsidies as proposed by the federal government.
23. Work with federal government and owners to develop a strategy to deal with potential prepayment of mortgages of certain federally subsidized housing projects.
24. Integrate the housing needs of persons with disabilities with the housing needs of the general population.
25. Extend, until February 1, 1989, and expand the Blue Ribbon Commission on Housing.
26. Endorse continued study of a broad range of housing issues during that extension period.

## I. INTRODUCTION

The Blue Ribbon Commission on Housing is made up of thirty-two members, eight appointed by the governor, twelve appointed by leadership of the house of representatives and twelve appointed by leadership of the senate. The Commission has seven ex-officio members. Its charge is to "report to the general assembly and governor its findings and recommendations on or before March 1, 1988." Commission members were appointed during late summer and early fall. An organizational meeting was held in late October. In the subsequent four months, the Commission and its various Subcommittees met frequently to review the needs of the citizens of the state for affordable housing, to discuss a wide range of concerns and to evaluate and recommend potential solutions.

While surveying the state's housing needs and attempting to develop a strategy to address those needs, Connecticut's Blue Ribbon Commission on Housing has witnessed the evolution of a shared consistent network of ideas. This "philosophy" is relatively simple despite the enormous complexity and subtlety of many of the issues involved. It has, indirectly at least, guided our deliberations and informed our recommendations. The principal elements of the philosophy are the following:

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REPORT AND RECOMMENDATIONS page 2

- \* The state's commitment to solving the housing crisis must be a long term commitment.
- \* There is no single solution to the housing crisis, just as there is no single identifiable culprit.
- \* The current affordable housing crisis is partially the result of Connecticut's economic prosperity.
- \* The state's financial resources alone cannot solve the problem; structural and regulatory changes are required as well.
- \* The solution to the housing problem will require the responsible participation of federal, state and local governments, in partnership with the private sector, with each group making available the resources which it controls.
- \* The state's lead agency for the production of housing, the Department of Housing, DOH, must be given considerable flexibility in the administration of state housing development funds, and freed from existing counter-productive statutory and regulatory constraints.
- \* While the housing crisis affects households in nearly every income group, those below the poverty line are most critically in need of the focused attention of the state and municipal governments.
- \* The state must recognize the importance of integrating the housing needs of persons with disabilities with the housing needs of the general population.
- \* The state must utilize existing mechanisms or develop new ones through which it can acquire permanent equity interests in affordable housing developments which it subsidizes or finances.
- \* The creation of new affordable rental units within mixed-income developments is an essential component of the proposed housing strategy.

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REPORT AND RECOMMENDATIONS page 3

- \* The state's 169 municipalities should be encouraged to continue or to begin to forge locally appropriate solutions to regional housing problems.
- \* Positive inducements may not be sufficient to encourage the participation of all municipalities in joining together to solve the housing crisis.
- \* It is critical that the legislature take immediate action on these recommendations if the intended effects are to be achieved.

This report provides a summary of the scope of the affordable housing crisis. (Housing is broadly defined as "affordable" if rental or mortgage payments do not consume more than 30% of a household's gross income.) The report includes a brief review of the findings of the Central Housing Committee's analysis of the fifteen Housing Needs Assessments conducted by the state's Regional Planning Agencies. The report notes the complex of factors perceived by the Commission to have played a role in creating the affordable housing crisis.

Finally, the report highlights the recommendations of the Commission. These recommendations suggest legislative and executive action in a wide range of areas. Some of these recommendations need immediate action if their positive impact is to come to bear on the housing crisis in the short term. In other areas, the Commission has expressed its belief that a given action is critical to the resolution of the housing crisis, but that the recommendation or area of inquiry needs further study and refinement before action should be taken. Because some of the recommendations have broad and complex implications which require further study, the Commission proposes an extension of the Commission until February 1, 1989.

## II. SURVEY OF NEEDS

The needs are enormous. While incomes grow, reflecting the state's relative economic prosperity, sale prices of houses grow faster; rental rates grow faster still; and land costs skyrocket. The housing crisis has new "victims": moderate income and middle income households find they must "defer" the dream of homeownership; corporations find personnel recruitment increasingly difficult because of housing related costs. Some corporations "defer" the dream of expansion. Some begin to dream of Iowa or Utah. For low income households and individuals, the "traditional" victims of housing crises, this

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decade's housing problems are variations on an old theme. For them, the percentage of household income required for decent rental housing continues to grow. For them, the dream of homeownership has long ago receded; the nightmare of homelessness intrudes.

This need has been perceptively characterized in the Central Housing Committee's review of the Housing Needs Assessments that were prepared by Connecticut's 15 Regional Councils of Government. After noting that "it would appear that over 15% of the households in Connecticut are in need of adequate housing," the Central Housing Committee wrote:

It is clear that the housing needs for low, moderate and middle income families in all regions are great. The steep rise in land costs and the costs associated with construction have been a major factor everywhere. There are, of course, variations in conditions and emphases from region to region, such as: large concentrations of university students and the homeless, the increase in second homeownership, the need for housing for wage earners who commute long distances, increased employment, excessive protective zoning regulations, inadequate infrastructure and the general stigma that surrounds low/moderate income housing. In order for Connecticut to continue with a balanced economic growth, it is essential that the State legislative body address the specific housing needs of the regions and localities. Assistance will be needed so municipalities can adequately house their municipal employees, teachers, service personnel as well as their children and elderly families who cannot find affordable housing within the community.

The causes are various and complex: (a) The federal government has during this decade enormously reduced its financial commitment to housing. Changes in federal tax laws have eliminated many of the incentives to investors to develop rental housing. Proposed changes including the sunsetting of the mortgage revenue bond program, the Section 8 Existing rental subsidy program and the uncertainty regarding prepayment of Section 236 mortgages jeopardize housing opportunities for renters and potential owners. (b) State financial resources, which have increased substantially in the past few years, are, nonetheless, not an adequate substitute for the federal government's resources. In addition, funds authorized by the state for housing development and rental assistance are subject to statutory and regulatory constraints that hinder their prompt, efficient and flexible utilization. (c) Municipalities, in part because of their different levels of relative affluence, develop different perceptions of need, differing attitudes

toward regional solutions, and provide enormously different incentives and/or disincentives to the development of affordable housing.

Still, there are other factors. Corporations bring relative prosperity and new employees, but not a comprehensive housing plan for the employees or the communities they affect. Prosperity creates demand and demand drives prices up. Builders target the higher end of the market until it's saturated. Those whose dream of home ownership was not deferred, but realized, now dream of a "quick kill" in the speculative housing market. Land values rise and land speculation increases. Not unreasonable programs for land conservation emerge as local initiatives and as state policy. Land prices rise further, ensuring that less affordable housing can be developed. The combination of all these factors, diminished federal financial resources, flawed program design, diverse municipal perceptions of housing need, unmanaged growth, and greed have conspired to create a housing crisis.

### III. RECOMMENDATIONS

The deliberations of the Commission were carried out in four Subcommittees, and each of the Subcommittee's report is attached in the Appendix to this report. It is important to understand that the introduction to the recommendations which follows is merely a summary and not a substitution for the actual recommendations. The Subcommittees' reports contain a much more detailed analysis of the Subcommittees' thinking about the issues and present a more full set of rationales and explanations for the recommendations.

The four operating Subcommittees addressed the following issues: Administration and Process, Codes and Preservation, Land-Use and Zoning, and Finance and Programs. The Subcommittees' ranges of interests were broad and occasionally overlapped. Each recommendation of a Subcommittee was reviewed separately and approved by a vote of the entire Commission. The Blue Ribbon Commission on Housing made twenty-six (26) recommendations in all. These included recommendations relating to:

- (A) new state programs,
- (B) improvements to existing state programs,
- (C) land use and zoning regulations,
- (D) review and revisions of statutes, regulations and codes,
- (E) memorializing position statements,
- (F) modifications to Public Act 87-550, the Act establishing the Commission, and
- (G) suggestions for extended study and deliberation.

The Commission's recommendations have been informed by a number of sources, most importantly the experiences of individual Commission members involved with housing issues in the state. Another significant factor contributing to the content of the Commission's recommendations is information gained from the experiences of other states, particularly Massachusetts and New Jersey, which have struggled with housing problems not dissimilar from Connecticut's. Several of the more complex of the Commission's recommendations have the benefit of having been tested -- successfully -- and in some cases for extended periods of time, in other locations, before being proposed by this Commission. In particular, significant aspects of the Housing Partnership, the Housing Appeals Board and the innovative financing mechanisms involved in the PRIME program, have antecedents elsewhere. These out-of-state program counterparts have already been shown to contribute positively to the struggle for affordable housing. Each of these program initiatives has been adapted to the particular exigencies of Connecticut's present housing crisis.

There is a notable difference, however, between the Commission's recommendations and other states' programs. Much of the success of the programs in other states is often attributed to a combination of inducements, on the one hand, and penalties (or the strong threat of penalties), on the other. The Commission has chosen, generally, to emphasize the positive inducement to the cooperative resolution of housing problems, where possible, rather than the financially or judicially imposed remedies of other states.

#### A. RECOMMENDATIONS FOR NEW PROGRAMS

The Commission made recommendations for three new programs. These new programs, the Connecticut Housing Partnership, the Private Rental Investment Mortgage and Equity program, PRIME, and the Pilot Public/Private Turnkey Housing Development program could substantially modify the way the state proceeds with its housing initiatives, and with the manner in which those initiatives are received in the municipalities and in the private sector.

##### 1(A). THE CONNECTICUT HOUSING PARTNERSHIP

The Commission recommends that with the support of the legislature, the governor create the Connecticut Housing Partnership (CHP), a partnership between the state and local communities, with specific responsibility for increasing the supply and availability of affordable housing throughout the state.

Chief elected officials of municipalities interested in forming a housing partnership with the state will convene a broad based local housing partnership consisting of local officials, non-profit and for-profit developers, their housing authority if one exists, housing advocates, lenders, realtors, clergy, etc. Members of the local partnership will be appointed by the local chief elected official with the approval of the local legislative body. Initially, the state's lead agency for housing, DOH, will provide technical assistance to the local partnerships.

Through its formation and its demonstration of progress in achieving affordable housing objectives, the housing partnership would advance through three stages of "designation" conferred by the state:

a. Initial designation: upon the creation of a local housing partnership and commitment of local resources to an affordable housing effort;

b. Development designation: upon the initiation of a specific housing effort for affordable to low and moderate income households; and

c. Comprehensive designation: implementation of a long-range local affordable housing plan consistent with regional needs.

With each successive designation, the local housing partnership will be entitled to an increased level of state assistance. It is the sense of the Commission that if it is determined that a municipality has already developed a balanced inventory of affordable housing and is maintaining it, that municipality will receive the same preferable treatment afforded to other municipalities participating in the partnership.

A primary role of the state in the CHP will consist of providing much of the technical assistance to the local housing partnership. DOH will call on other state agencies and on the Central Housing Committee and Regional Planning Agencies, as appropriate, to assist in providing the technical assistance, to expedite the construction or rehabilitation of affordable housing.

#### 1(B). PROVISION OF PARTNERSHIP FINANCIAL INCENTIVES

In order for the Connecticut Housing Partnership to achieve its objective of creating locally appropriate solutions to the identified housing needs, the Commission believes that sufficient funds should be authorized and appropriated by the legislature to finance a three-tiered program of incentives to local governments to be used for purposes related to or

necessary for the development of housing in conformity with the CHP, or for other non-specified municipal purposes.

(a) Planning Funds / Initial Designation. The Commission believes that not less than \$150,000 should be appropriated from the general fund to DOH to be used exclusively to assist interested municipalities in the formation and development of their local partnerships and in the partnerships' subsequent development of a local housing plan.

(b) Development Funds / Development Designation. The Commission believes that municipalities which have achieved Development Designation should be given preference in competing for discretionary housing development funds. The Commission recommends an increase of 10% over existing levels of funding in all DOH housing production and rental assistance programs.

(c) Infrastructure Funds / Comprehensive Designation. The Commission believes that \$20-50 million should be identified for use by municipalities which have moved beyond "Initial Designation." The Commission believes that these funds should be derived from one or more statutory formula grant sources:

(1) increasing appropriations by 10% in certain existing statutory formula grants to be set-aside and awarded as "bonuses" to municipalities for positive action in creating affordable housing;

(2) reprogramming of approximately 5% of certain existing statutory formula grants, (only from those municipalities deemed by the state not to be making progress in the partnership) to be added to the pool of increments identified above; or

(3) adding a factor, which takes into account the effort of municipalities to provide affordable housing, to the distribution formulas which allocate certain statutory formula grants.

Further, the Commission believes that the state should give priority in applying for discretionary infrastructure funds (sewer, water, roads, open spaces, etc.) to municipalities which have worked substantively for the objectives of the Partnership. The infrastructure funds would be awarded at an earlier designation stage on an incremental basis and tied to or conditioned upon continuing progress in achieving Partnership goals.

2. PRIVATE RENTAL INVESTMENT MORTGAGE AND EQUITY  
PROGRAM

This program, a joint venture of DOH and CHFA to leverage state financial capabilities with private and federal resources, requires both executive action and new legislation. The program involves:

a. The production of new mixed-income rental housing by private for-profit and non-profit developers. Between 20 and 40 percent of the total units in the project would be low-income. The remaining units would bear market rate rents. As a goal, 80 percent of the total units in the project would be rented to tenants earning less than 96 percent of area median income (AMI). No unit would be rented to tenants earning more than 140 percent of AMI.

b. All low-income units (LIU's) would be rented to tenants whose income, adjusted for family size, is less than 50 percent of AMI.

c. Net tenant rent for each LIU would equal 30 percent of tenant income. Tenant income would exclude any federal or state rental subsidy received by tenant.

d. Each LIU would receive, if needed, a state direct rental subsidy certificate from DOH. Its general value would equal the difference between the LIU net tenant rent and the "market rate rent," for similar units in the project, including utilities. The rent subsidy commitment would be guaranteed for 15 years by the state.

e. After year one, the "market rate rent" on each LIU would be frozen at the first year level. Net tenant rent to the occupants of each LIU would continue to be based on 30 percent of tenant income. Increases in rents on the market rate units, or non-LIU's, would be permitted.

f. For each LIU, the state of Connecticut, through DOH, would provide a one-time capital grant to the project of up to one-half the project's average unit cost. These grants would constitute a state "equity interest" in the project.

g. The developer would provide an additional equity interest in the project equal to at least 10 percent of the project's replacement cost.

h. The project's mortgage would be provided by CHFA and be a below-market non-recourse loan. Each project would be entitled to federal low-income housing tax credits.

i. The state or CHFA could subsidize the interest rate on the project loan, typically through a lower interest second mortgage. If a state tax credit program is enacted, a project could also receive state tax credits.

j. The state or its designee would receive an "equity interest" in the project. Any rent increases would require the prior approval of that entity. Also, the mortgage could not be prepaid without prior approval. The state's "equity interest" or share in the project would be at least the percentage of LIU's in the project.

k. This program would be permitted for multi-family or the elderly. Projects would have to be at least 25 units.

The PRIME program will significantly reduce state subsidies required to produce a unit of low-income rental housing which could remain "forever" housing. The housing would be mixed income housing and, therefore, possibly more agreeable to local communities than projects which are all low-income. The program also will leverage greater amounts of private capital for low and moderate income rental housing. It will allow the state to produce more rental housing in general and specifically more low-income housing.

The PRIME Program would produce 4,200 additional units of traditional rental housing in the next two years by jointly marshalling the resources of DOH and CHFA, and fully leveraging private and federal resources. This is ambitious, but it is essential to undertake quickly because of the need and the possible "sunset" of the federal Low-Income Housing Tax Credit Program. Of these 4,200 units, an estimated 1,250 would be very low-income. Another 2,100 should be moderate income rentals. To achieve the proposed level of production within the targeted timeframe, the program would require the following:

- a. \$50,000,000 in DOH capital grant funds;
- b. 1,250 DOH rental subsidy certificates, with 15 year commitments;
- c. \$4,000,000 in federal Low-Income Housing Tax Credits;
- d. \$150,000,000 in taxable bonding by CHFA;
- e. \$100,000,000 in federal tax-exempt bond authority from the state's allotments for private activity bonding by CHFA; and
- f. the passage of enabling legislation by the General Assembly this session.

### 3. PILOT PUBLIC/PRIVATE TURNKEY HOUSING PROGRAM

The third program initiative the Commission recommends is an innovative pilot program in which the state acts as the developer of mixed-income rental properties. The Commission recommends that the state institute a pilot Connecticut Public/Private Turnkey Housing Program to develop affordable rental housing. This program can be effected under existing state legislation and involves:

- a. Designation by CHFA or DOH of a state sponsor;
- b. Solicitation of proposals from for-profit developers to design/build projects under a set of established specifications for a fixed price;
- c. The state sponsor taking title to the property and arranging with private for-profit or non-profit agents the rent up and management of the property;
- d. The state sponsor developing public purpose policies and procedures for implementation of the program;
- e. The state sponsor utilizing below market rate financing provided through the issuance of tax-exempt bonds by CHFA.

A detailed explanation of a method for the implementation of this program and a summary of its advantages is contained in the Appendix in the report from the Subcommittee on Finance and Programs.

### B. RECOMMENDATIONS FOR IMPROVING EXISTING PROGRAMS

The Commission did not undertake a specific evaluation of all existing state housing programs. Nor did it attempt to critique the administration of those programs by the responsible agencies. This was not the Commission's charge. The Department of Housing, the state's lead agency for housing, has recently undergone a major internal re-organization and the prospects for periodic program review and generally improved program administration are promising.

In the course of its explorations, however, the Commission did identify a number of program areas where a change in focus, flexibility, or structure was particularly important. These suggestions are in addition to the amendments to the legislation creating the principal state rental housing programs (Affordable Housing, Moderate Rental, Elderly and Elderly Congregate) required to conduct the PRIME program discussed above.

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4. SUPPORT FOR NON-PROFITS

The state has a diverse package of supportive programs to assist non-profit corporations interested in developing affordable housing. The Commission has endorsed a package (not intended to be exclusive of other suggestions) of specific programs which could improve a non-profit corporation's ability to initiate, complete, manage and maintain housing development efforts. Specifically, the Commission recommends that the state:

- a. Establish a revolving loan fund for up-front development costs of non-profit developers of low and moderate income housing. Recommended funding of \$2.4 million will assist to produce 1200 units per year.
- b. Establish a revolving loan fund for use in mutual housing and limited equity co-ops by households, earning less than 50% of the area's median income, to pay membership fees. Recommended funding is \$300,000.
- c. Strengthen the non-profit developer administrative subsidy/technical assistance program.
- d. Continue support for the Community Housing Land Bank/Land Trust Program.
- e. Use DOH discretionary funds to provide adequate financial support for the limited equity/mutual housing program.
- f. Provide adequate support for the Housing Site Development Program.
- g. Extend and clarify certain sales and use tax exemptions found in the Connecticut General Statutes.

5. RENTAL ASSISTANCE PROGRAM INCREASED COMMITMENT

The Commission recommends that the state increase its commitment to state-funded rental assistance in order to ensure the program's ability to:

- a. Continue the emphasis on meeting the needs of persons and families who currently lack permanent housing.
- b. Continue and expand targeting households earning less than 60% of the area's median income who expend more than 30% of that income on rent.
- c. Continue and increase utilization of rental assistance funds to new construction tied for a period of up to

15 years. For projects so funded, the amount of state funding shall be directly commensurate with the degree the state or other public entity can secure a perpetual equity interest.

#### 6. STATE TAX CREDITS

State tax credits can be a very efficient way to provide state subsidies and constitute a much smaller cost to the state in the long term than capital bond subsidies for an equal amount of benefit. The Commission believes that the more extensive and focused use of state tax credits could be an important method through which to leverage capital and increase private sector involvement in the production of low and moderate income rental housing, particularly when the state reaches the federally imposed cap on tax-exempt revenue bond financing. The Commission makes two specific recommendations relating to the tax credits:

a. The state should establish a new \$5 million dollar annual allotment to be administered by the Departments of Revenue Services (DRS) and Housing. The Commissioner of Housing should be empowered to assign, through a system of vouchers, credits against the corporate franchise tax or the capital gains, dividends, and interest tax for developers and investors in the construction of new low and moderate income rental housing. The assignment of these credits would be determined on a project-by-project basis and would only be awarded when, and to the extent necessary to make, a project economically feasible for low income tenants because other state or federal subsidies are inadequate. The state tax credit program would be established by amending the \$1 million state tax credit program established last year for non-profits receiving funds from corporations.

b. The state should clarify that the interest income on taxable bonds sold by the state or Connecticut Housing Finance Authority for the financing of low and moderate income housing construction and development is not subject to the state corporate franchise tax. The elimination of applicability of the corporate franchise tax would be implemented by adding such language as the following to the Connecticut General Statutes:

"A corporation having income, principal and interest, derived from bonds issued by the state or a political subdivision thereof, the proceeds of which are used to finance low and moderate income housing in this state, shall have a credit against state corporate franchise taxes imposed by Chapter 208 of the Connecticut General Statutes in

an amount resulting from the multiplication of the income derived from such bonds by the applicable corporate franchise tax rate."

#### 7. STATE BUILDING INSPECTOR

The Commission was interested in the problems associated with the non-uniform interpretation of the state building codes and the potentially negative impact that has on the cost of housing construction. In addition to a review of the appropriate BOCA and CABO codes (discussed below in recommendation #20), the Commission focused on some areas where it believed the uniform interpretation of the codes could be improved by the strengthening of the office of the State Building Inspector.

In particular, the Commission recommends that the state require a continuing education program under the supervision of the State Building Inspector for all local building inspectors. In addition, the Commission expresses its specific endorsement of some of the recommendations of the Report of the Governor's Building Construction Advisory Committee, (January 15, 1988). This report made a number of recommendations which were relevant to our housing related concerns. Specifically, the Commission endorses these recommendations from the Advisory Committee:

- a. The State Building Inspector shall have the authority to make official interpretations of the state building code independently of the Codes and Standards Committee, with a subsequent review of those interpretations by the committee. Such interpretations shall be compiled, published, and indexed.
- b. The State Building Inspector shall have the authority to overrule local building officials on interpretations of the code, and the state shall assert authority over local building officials to assure uniformity in the enforcement of the code.
- c. The State Building Inspector shall monitor code enforcement on the local level. Municipalities continue to be responsible for enforcing the state building code, but the State Building Inspector will be given oversight authority.
- d. The State Building Inspector shall have an adequate staff to fulfill these interpretation and oversight responsibilities. Local building officials shall be required to attend training sessions sponsored by the Office of the State Building Inspector. Consideration should be given to the state's providing funds to

compensate towns for the cost of periodically sending their building officials to these training sessions.

e. Revision of the BOCA {and CABO 1 & 2 Family\*} code should be adopted every three years by the State Codes and Standards Committee, and the supplement revisions to the code should be adopted annually.

\* The Commission would add the words "and CABO 1 & 2 Family" because this is the stream-lined code under which much of Connecticut's housing is constructed.

Currently, the State Building Inspector's office is under the jurisdiction of the State Fire Marshall's Office which, in turn, is a division within the Department of Public Safety. Because the Commission either makes or endorses a number of suggestions which expand the authority and/or the responsibilities of the State Building Inspector, the Commission also endorses the Advisory Committee's recommendation that:

The State Building Inspector shall head a separate division...

except that this Commission expresses no opinion as to whether the agency should be the Department of Public Safety or some other department.

#### 8. HOUSING PRESERVATION

The Commission recognized the critical importance of preserving the existing stock of affordable rental housing and the need to ensure that that housing continues to remain affordable. The Commission recommends that the state systematically target the use of all appropriate Department of Housing funds to units in danger of being lost from the housing marketplace. In addition, the state, in consultation with municipalities, should explore the feasibility of the development at the local level of incentives to rental property owners to continue to maintain their properties as rental units.

#### 9. INVENTORY OF STATE OWNED LANDS

Two of the Commission's Subcommittees suggested that the state make a careful inventory of "excess" federal, state, municipal and/or corporate lands. These suggestions were coupled with the awareness that parts of such an inventory are currently being undertaken. The sense of the Commission's recommendations was that the Department of Housing should play an important role in ensuring that any excess public lands be identified and their potential use for affordable housing be determined. Specifically, the Commission recommends that DOH, with the

required cooperation and assistance of appropriate state agencies, assemble an inventory of state owned property for the purpose of identifying sites appropriate for the development of affordable housing, and that DOH, utilizing the housing partnership mechanism, encourage municipalities to inventory their own, and corporate, land within their boundaries.

#### 10. HOUSING AUTHORITY REPORTS

Reporting requirements are an important component of any administrative plan. The state of Connecticut has nearly one hundred housing authorities and no formal network of reporting which could help to identify emerging problems and potential solutions. To improve this situation, the Commission recommends that all local housing authorities be required to submit annually a report to the local chief elected official and/or local legislative body, with a copy to DOH, summarizing the condition of the local public housing stock, the problems affecting the stock and suggestions as to how the Connecticut Housing Partnership might be able to assist in addressing those problems.

#### C. RECOMMENDATIONS CONCERNING LAND USE AND ZONING

The Commission made a number of recommendations relating to land use and zoning regulations. Some of these recommendations were very focused and specific. At least one was potentially much more comprehensive. While noting that its recommendation for a Housing Appeals Board for land use decisions was perceived to be essential to the over-all solution of Connecticut's affordable housing crisis, the Commission also noted that some of its elements and implications would benefit from further study. The approved land use and zoning recommendations were the following:

#### 11. INCLUSIONARY ZONING

The Commission recommends that the legislature specifically authorize local planning and zoning commissions to adopt inclusionary zoning programs. An inclusionary zoning program is a procedure whereby a developer agrees to set aside a certain percentage of the housing units in a proposed development to be sold or rented at below-market prices.

In general, non-restrictive terms, the state authorization should permit municipalities to adopt (if they wish), a program whereby a developer must set aside a percentage of units, as set forth in the regulations, for sale or rent at below market rates, and which include provisions for ensuring that units so set aside remain available at below market rates for a significant

period into the future. The Commission's recommendation is designed to affirm that Connecticut municipalities do indeed have such power. Municipalities should also be authorized, but not required, to grant bonuses to developers who do set aside such units.

#### 12. MINIMUM FLOOR AREA REQUIREMENTS

The Commission recommends the amendment of the State Zoning Enabling Act to prohibit the adoption of minimum floor area requirements for residential dwellings as part of local zoning regulations.

The square footage necessary for the health and safety of residents is already regulated to protect those concerns, as part of building and health codes. The Commission does not believe any concerns other than health and safety sufficiently offset the artificial increase in housing costs generated by the usually more restrictive zoning provisions establishing minimum floor areas for residential units.

#### 13. MANUFACTURED HOUSING

The Commission recommends the adoption of legislation amending CGS section 8-2, to require municipalities to treat manufactured homes the same as other forms of housing in both zoning and subdivision regulations. In a related suggestion (though not technically a zoning issue), the Commission recommends that the state should explore whether mobile-manufactured housing's compliance with HUD building standards, should constitute compliance with the state building code.

#### 14. MULTI-FAMILY HOUSING

The Commission recommends that each municipality exercising zoning, planning, or land use ordinance powers be required to zone a reasonable amount of its land, considering the municipality's location, population, and need, so as to permit multi-family housing without age-based restrictions.

#### 15 MINIMUM LOT SIZES

The Commission recommends that the legislature request the Departments of Health and Environmental Protection and the Office of Policy and Management to develop specific maximum land areas that can be specified as a minimum lot size that under normal conditions will protect public health, taking into account various soil types and water supply patterns.

Many municipalities are moving toward a more flexible performance type of zoning when regulating housing density. The most commonly used criteria for these flexible density regulations are soil types, and the impact on groundwater. There appears to be significant disagreement as to the minimum density that is necessary to protect the public's health, or as to what circumstances justify for public health purposes, any minimum lot size where public water and sewers are available. A reliable set of standards would be of great assistance to municipalities in framing such regulations.

16. AMEND CONNECTICUT GENERAL STATUTE 8-2 RE: HOUSING OPPORTUNITIES

The Commission recommends that the legislature amend the fifth sentence of Connecticut General Statutes section 8-2 (the zoning enabling statute) to read as follows:

Such regulations shall also provide for the development of housing affordable by all citizens of the municipality and their adult children, as well as by the town's board of education employees and its municipal employees, consistent with soil types, terrain and infrastructure capacity.

This statutory modification establishes a standard of affordable housing in a municipality: it must be affordable by its municipal and board of education employees, and by children of town residents who wish to continue to live in town after they have become adults and establish their own homes. The change further requires a municipality to use its zoning regulations to facilitate the development of such housing. The change does NOT require a municipality to facilitate the development of housing for particular individuals whether members of one of the named categories or not, nor to supply it for them.

17. OPEN SPACE ACQUISITIONS AND HOUSING COSTS

The Commission recommends that legislation be adopted that would require that any state grant of monetary assistance, for the acquisition of land for open space include a significant amount, on the order of 25% to 35% of the funds that will be used for the open space land acquisition, that must be used by the recipient municipality to purchase land for affordable housing.

The Commission is concerned that it be recognized that the legitimate interest in the preservation of open space by taking land off the market reduces the supply of land available for the development of housing, thereby increasing the cost of land. Recently, escalating land costs have been the single most important factor contributing to the crisis in affordable housing in our state. Reducing the supply of land that is suitable for housing will increase housing costs even more.

The Commission's recommendation also reflects its belief that many municipalities are presently preserving significant amounts of open space through various regulatory programs, including zoning requirements for lots that exceed the minimum necessary for the protection of the public health or of water supplies, open space set aside requirements that are made conditions of subdivision approval, and subdivision regulations that prevent the inclusion for minimum lot size requirements of land already prohibited from being developed by inland wetlands agency regulations.

#### 18. A STATE HOUSING APPEALS BOARD

The Commission recommends that the legislature adopt legislation establishing a procedure whereby certain decisions of local land use commissions can be appealed to a state administrative appeals board instead of having to be appealed to the Superior Court.

The Subcommittee on Land Use and Zoning has developed a proposed structure for the organization and operation of such a board. However, lack of time and of public participation has not permitted these recommendations to be completely developed. While the members of the Subcommittee recognize that these mechanical issues require further study before being cast in formal statutory language, they also feel that the development of affordable housing in meaningful quantities will not be possible without a board organized substantially along the following lines:

a. This board would be known as the Housing Appeals Board, and its procedures would be governed by the existing provisions of the Connecticut Administrative Procedures Act.

b. For-profit as well as non-profit developers would be eligible to appeal to the Housing Appeals Board a negative local zoning or planning decision on certain qualifying residential housing development proposals. The Connecticut Attorney General would also be authorized to appeal such a local decision concerning a qualifying development proposal, in order to protect the public's interest in developing and maintaining an adequate supply of affordable housing.

c. Only certain development applications would be appealable to the Housing Appeals Board (decisions on non-qualifying development applications could, of course, be appealed directly to the courts as under present law). Development proposals that could be appealed to the Board would have to meet one of the following criteria:

1. At least 20% of the units in the proposed development must be marketable to persons (other than the elderly) earning less than 80% of the region's median income, and include a mechanism for ensuring those units will be permanently available to such persons; or
2. At least 20% of the units in the development must be marketable at prices and rents that meet the Connecticut Housing Finance Authority's Price and Income Limits, and include a mechanism for ensuring that the units will be permanently priced within those Limits and/or made available to persons with income falling within those Limits; or
3. If a rental development, at least 10% of the units must be at rents affordable by persons (other than the elderly) earning less than 80% of the region's median income; or
4. The development is wholly or partially financed by a state or federal subsidy or financing.
  - d. The Housing Appeals Board could sustain the developer's appeal if it found the local land use commission's disapproval of a project was unreasonable and not consistent with local housing needs. If the Board finds that a proposal was approved but with such conditions and restrictions as to make the proposed development uneconomic, the Board could remove the restrictions and conditions if, in addition, the Board found that the land use commission's decision was inconsistent with local housing needs.
  - e. The Housing Appeals Board could, if appropriate, uphold the municipal rejection of the development proposal if the proposal does not comply with the provisions of the State Planning or Zoning Enabling Acts.
  - f. A municipal decision would be deemed consistent with local needs (and therefore the municipality's decision could not be reversed by the Board), if more than 10% of the non-elderly, non-rental housing units in the municipality are subsidized or CHFA financed, or if the municipality has adopted in its regulations an inclusionary zoning program conforming to a model program developed by the Commissioner of Housing, and has enforced this program.
  - g. Decisions of the Housing Appeals Board could be appealed by the applicant, the municipality, or by the Connecticut Attorney General to the Superior Court in accordance with existing provisions of the Connecticut Administrative Procedures Act.

The proposed Housing Appeals Board is designed to provide an expeditious and inexpensive review of a dispute between the developer and the commission in those cases where the provision of affordable housing is at stake. In other words, not every rejection of a development proposal could be appealed to the Housing Appeals Board. Moreover, if the municipality is providing some affordable housing, or has actually implemented an approved program for doing so, even the denial of development proposals that include affordable housing provisions could not be reversed by the Housing Appeals Board.

**D. RECOMMENDATIONS FOR STATUTE, REGULATION AND CODE REVISIONS**

**19. REVISION OF HOUSING LEGISLATION**

The Commission recommends that the legislature authorize and direct the Commissioner of Housing to undertake a comprehensive review of all the statutes relating to housing (exclusive of those relating to CHFA) for the purpose of consolidating existing programs, eliminating those programs which are duplicative or are no longer needed, streamlining procedures and, generally, providing the Commissioner of Housing more discretion, subject to the drafting and approval of appropriate regulations, to promote the development of affordable housing responsive to local needs and conditions and which takes into account federal tax reform. The Commission further recommends that the legislature authorize funds to finance this undertaking, and that the revision be completed by November, 1989.

**20. BUILDING CODE REVIEW AND REVISION**

The Commission recommends that the state conduct a comprehensive review of the state building code and eliminate any elements which contribute significantly to the costs but not to the general welfare and safety of the public. The state should also review the administration of the appeals process to determine if there are ways to expedite this procedure. To further facilitate the uniform interpretation of the state building code by local building inspectors, the state should prepare a set of guidelines. Finally, the state should review its housing rehabilitation code, and take into consideration the need for "affordable" housing as the product of the rehabilitation.

**E. MEMORIALIZED POSITION STATEMENTS**

As a matter of principle, the Commission adopted positions on four issues which have significant impact on housing for some of

BLUE RIBBON COMMISSION ON HOUSING  
REPORT AND RECOMMENDATIONS page 22

residents. As a matter of principle, the Commission adopted positions on these matters and would encourage the legislature to acknowledge these positions and to take appropriate actions. In some cases, the governor, the legislature and appropriate state agencies may already be taking actions on these matters.

21. PREVENT THE SUNSETTING OF MORTGAGE REVENUE BONDS

The Commission recommends that the state initiate a comprehensive state-wide effort to prevent the sunset of mortgage revenue bonds, as currently planned by the federal government.

22. PREVENT THE SUNSETTING OF SECTION 8 EXISTING SUBSIDIES

The Commission recommends that the state initiate a comprehensive state-wide effort to prevent the sunset of Section 8 Existing Rental Subsidies, as currently planned by the federal government.

23. DEVELOP PREPAYMENT PLAN

The Commission recommends that the state strongly encourage and work with the federal government to develop appropriate plans to prevent the early prepayment of mortgages of existing rental properties, as currently allowed under regulations for housing built under Section 221 (d) (3) and Section 236.

24. HOUSING FOR PERSONS WITH DISABILITIES

The Commission recognizes the need for integrating the housing needs of persons with disabilities with the housing needs of the general population. This should be considered as part of a comprehensive plan including

- \* availability of the Rental Assistance Program, and
- \* availability of grants to modify existing housing units, both private homes and multi-family apartments, to make them physically accessible to people with physical disabilities.

The Commission also endorses the concept of adaptable housing (as more appropriate than "accessible" housing) and supports the idea of the state developing on a pilot basis, a project in which the units are built to minimum handicapped access standards and then adapted when necessary for use by people with physical disabilities.

F. RECOMMENDATION RELATING TO PUBLIC ACT 87-550

25. EXTENDING AND EXPANDING THE BLUE RIBBON COMMISSION

The Commission recommends that Public Act 87-550, which established the Commission, be amended for the following purposes:

- \* to extend the Commission and its final reporting date to February 1, 1989;
- \* to expand the Commission by adding five new members, preferably local elected officials; and
- \* to allow more than one planning region to be selected for a pilot negotiated investment strategy.

G. RECOMMENDATION RELATING TO FURTHER STUDIES

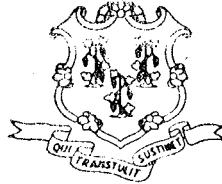
26. FURTHER SUBJECT MATTER TO BE CONSIDERED

The Commission recommends that it be extended through the proposed period to continue its investigations into the following matters, to the extent that these matters are not resolved in the current session of the General Assembly:

- a. minimum lot size requirements related to infrastructure and soil type,
- b. a state housing appeals board process for local land use decisions,
- c. state housing trust fund funding strategies,
- d. statutory formula grant modifications,
- e. home ownership opportunities for low income households,
- f. private sector housing strategies,
- g. the impact of condominium conversions on rental rates,
- h. promoting public awareness of and soliciting public input on critical housing issues,
- i. efficacy of reimbursements to municipalities for tax abatement for low and moderate income housing,

- j. development of a specific program to encourage employers and employee associations to take active roles in creating housing for their employees and members,
- k. determination of appropriate state action regarding the loss of low and moderate income units through prepayment of Section 236 programs, and
- l. methods to cap appreciation of multi-family housing.

## **APPENDICES**



Blue Ribbon Commission  
On Housing  
State Capitol — Room 415  
Hartford, Connecticut 06106

Co-Chairmen  
Commissioner John F. Papandrea  
Arthur T. Anderson

Executive Director  
William J. McDonough  
203-240-8878

February 29, 1988

Commissioner John F. Papandrea  
Mr. Arthur Anderson  
Co-Chairmen  
Blue Ribbon Commission on Housing  
State Capitol Room 415  
Hartford, Connecticut 06106

Dear Commission Co-Chairmen:

We are pleased to submit this report to you on the work to date of the Subcommittee on Administration and Process. In our deliberations since our January 7, 1988 Interim Report the Subcommittee has clarified its ideas regarding the Connecticut Housing Partnership, the principal mechanism through which the the State and local communities can forge co-operative approaches to solving the State's affordable housing problem. The constructive responses offered at the Commission meeting on February 8, 1988 helped to further refine our thoughts. The purpose of this letter is to report on those recent deliberations and to provide the Commission with our final recommendations.

**1. CREATION OF THE CONNECTICUT HOUSING PARTNERSHIP**

There is a need to establish a formal mechanism to encourage the development of housing partnerships between the State and individual municipalities. Such a partnership is needed for a variety of reasons. Chief among those reasons are the following:

- a. to ensure local recognition of the need for affordable housing
- b. to ensure the involvement of local communities and the private sector in the advocacy, education and implementation of affordable housing programs
- c. to provide a coherent structure from which each of the diverse municipalities can develop locally appropriate responses to the need for affordable housing

d. to establish a mechanism through which technical and financial assistance can be provided by the State on a rational and equitable basis to municipalities to meet the need for affordable housing, and

e. to provide a process through which DOH can direct the marketing of its numerous existing and new program initiatives.

To address these needs, the Subcommittee recommends that with the support of the Legislature, the Governor create the Connecticut Housing Partnership (CHP), a partnership between the State and local communities, with specific responsibility for increasing the supply and availability of affordable housing throughout the State.

Chief elected officials of municipalities interested in forming a housing partnership with the State will convene a broad based local housing partnership consisting of local officials, non-profit and for-profit developers, their housing authority if one exists, housing advocates, lenders, realtors, clergy, etc. Members of the local partnership will be appointed by the local chief elected official with the approval of the local legislative body. Initially, the State's lead agency for housing, DOH, will provide technical assistance to the local partnerships.

Through its formation and its demonstration of progress in achieving affordable housing objectives, the housing partnership would advance through three stages of "designation" conferred by the State:

a. Initial designation: upon the creation of a local housing partnership and commitment of local resources to an affordable housing effort;

b. Development designation: upon the initiation of a specific housing effort for affordable to low and moderate income households; and

c. Comprehensive designation: implementation of a long-range local affordable housing plan consistent with regional needs.

With each successive designation, the local housing partnership will be entitled to an increased level of State assistance. It is the sense of the Subcommittee that if it is determined that a municipality has already developed a balanced inventory of affordable housing and is maintaining it, that municipality will receive the same preferable treatment afforded to other municipalities participating in the partnership.

A primary role of the State in the CHP will consist of providing much of the technical assistance to the local housing partnership. DOH will call on other State agencies and on the State and Regional Housing Councils, as appropriate, to assist in providing the technical assistance, to expedite the construction or rehabilitation of affordable housing.

## 2. PROVISION OF FINANCIAL INCENTIVES

In order for the Connecticut Housing Partnership to achieve its objective of creating locally appropriate solutions to the identified housing needs, the Subcommittee believes that sufficient funds should be authorized and appropriated by the legislature to finance a three-tiered program of incentives to local governments to be used for purposes related to or necessary for the development of housing in conformity with the CHP, or for other non-specified municipal purposes.

2.1. Planning Funds / Initial Designation. That not less than \$150,000 be appropriated from the general fund to DOH to be used exclusively to assist interested municipalities in the formation and development of their local partnerships and in the partnerships' subsequent development of a local housing plan.

2.2. Development Funds / Development Designation. The Subcommittee believes that municipalities which have achieved Development Designation should be given preference in competing for discretionary housing development funds. The Subcommittee recommends an increase of 10% over existing levels of funding in all DOH housing production and rental assistance programs.

2.3. Infrastructure Funds / Comprehensive Designation. That \$20-50 million be identified for use by municipalities which have moved beyond "Initial Designation." The Subcommittee believes that these funds should be derived from one or more statutory formula grant sources in the following manner:

(a) increasing appropriations by 10% in certain existing statutory formula grants to be set-aside and awarded as "bonuses" to municipalities for positive action in creating affordable housing;

(b) reprogramming of approximately 5% of certain existing statutory formula grants, (only from those municipalities deemed by the State not to be making progress in the partnership) to be added to the pool of increments identified above;

(c) adding a factor, which takes into account the effort of municipalities to provide affordable housing, to the distribution formulas which allocate certain statutory formula grants.

Further, the Subcommittee believes that the State should give priority in applying for discretionary infrastructure funds (sewer, water, roads, open spaces, etc.) to municipalities which have worked substantively for the objectives of the Partnership. The infrastructure funds would be awarded at an earlier designation stage, on an incremental basis and tied or conditioned upon continuing progress in achieving Partnership goals.

Blue Ribbon Commission on Housing  
Subcommittee on Administration and Process  
Page 4

Although the Connecticut Housing Partnership is the keystone of the Subcommittee's recommendations, it does not comprise the full extent of our deliberations. Other vital recommendations include the following:

3. EXPANSION OF PILOT PROGRAM

The Subcommittee recommends that the legislature amend Section 5 of Public Act No. 87-550 to permit at least two planning regions to participate in a pilot program for the development, through the process of a negotiated investment strategy, of a regional fair housing compact.

4. MORE FLEXIBLE USE OF RENTAL HOUSING SUBSIDIES

The Subcommittee recommends that the legislation creating the principal State rental housing programs, namely Affordable Housing, Moderate Rental, Elderly and Elderly Congregate, be amended to permit the Commissioner of Housing to use program funds for the following additional purposes:

- (a) to subsidize low and moderate income rental housing units within larger projects financed by CHFA with non-profit or for-profit developers;
- (b) to leverage private sector financing for rental housing by using State rental housing program funds in mixed income projects eligible for the federal low income housing tax credit and financed through the Connecticut Housing Finance Authority by non-profit or for-profit developers, individually or in partnership; and
- (c) to permit the State of Connecticut and its housing authorities to take an equity position in such rental housing projects commensurate with the number of low and moderate income units so produced.

5. REVISION OF HOUSING LEGISLATION

The Subcommittee recommends that the legislature authorize and direct the Commissioner of Housing to undertake a comprehensive review of all the statutes relating to housing (exclusive of those relating to CHFA) for the purpose of consolidating existing programs, eliminating those programs which are duplicative or are no longer needed, streamlining procedures and, generally, providing the Commissioner of Housing more discretion, subject to the drafting and approval of appropriate regulations, to promote the development of affordable housing responsive to local needs and conditions and which takes into account federal tax reform. The Subcommittee further recommends that the legislature authorize funds to finance this undertaking, and that the revision be completed by November, 1989.

## 6. INVENTORY OF STATE OWNED LANDS

The Subcommittee recommends that DOH, with the required cooperation and assistance of appropriate state agencies assemble an inventory of state owned property for the purpose of identifying sites appropriate for the developemnt of affordable housing.

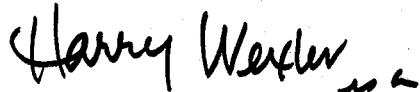
## 7. HOUSING AUTHORITY REPORTS

The Subcommittee recommends that all local housing authorities be required to submit annually a report to the local chief elected official and/or local legislative body, with a copy to DOH, summarizing the condition of the local public housing stock, the problems affecting the stock and suggestions as to how the Connecticut Housing Partnership might be able to assist in addressing those problems.

Respectfully submitted,



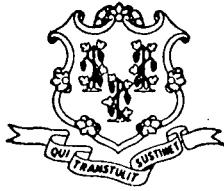
Bruce Warwick  
Co-Chair



Harry Wexler  
Co-Chair

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Blue Ribbon Commission  
On Housing  
State Capitol — Room 415  
Hartford, Connecticut 06106

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203-240-8878

February 29, 1988

Commissioner John F. Papandrea  
Mr. Arthur T. Anderson  
Co-Chairs, Blue Ribbon Commissioner on Housing  
State Capitol, Room 415  
Hartford, Connecticut 06106

Dear Commissioner Papandrea and Mr. Anderson:

The Land Use and Zoning Subcommittee is pleased to submit its Final Report to the Blue Ribbon Commission on Housing. This Report reflects comments made by members of the Commission at its meeting on February 22, 1988. At that time, Recommendations #1 and #3 were accepted as written. The others were approved with specific changes (#2, #4 and #5), or were sent back to the Subcommittee for redrafting (#6, #7, and #8).

The Subcommittee's Final Recommendations are:

RECOMMENDATION #1: INCLUSIONARY ZONING

The Subcommittee proposes that the Blue Ribbon Commission recommend that the legislature specifically authorize local planning and zoning commissions to adopt inclusionary zoning programs. An inclusionary zoning program is a procedure whereby a developer agrees to set aside a certain percentage of the housing units in a proposed development to be sold or rented at below-market prices.

At this point, the Subcommittee is not recommending that municipalities be required to adopt such a program even though the price of land in some towns and the shortage of financial subsidies may mean that an inclusionary zoning program is the only way of assuring that affordable housing (by anyone's definition) will be built.

In general, non-restrictive terms, the state authorization should permit municipalities to adopt (if they wish), a program whereby a developer must set aside a percentage of units as set forth in the regulations for sale or rent at below market rates, and which include provisions for ensuring that units so set aside remain available at below market rates for a significant period into the future. Municipalities should also be authorized, but not required, to grant bonuses to developers who do set aside such units.

Explanation: Although at least four municipalities in Connecticut currently are requiring developers to set aside housing units as part of an inclusionary zoning program, attorneys for other municipalities have objected to the use by their land use commissions of such programs on the grounds that inclusionary zoning is not authorized by the state zoning and planning enabling legislation. The Subcommittee's recommendation is designed to affirm that Connecticut municipalities do indeed have such power.

#### RECOMMENDATION #2: A STATE HOUSING APPEALS BOARD

The Land Use and Zoning Subcommittee proposes that the Blue Ribbon Commission recommend that the legislature adopt legislation establishing a procedure whereby certain decisions of local land use commissions can be appealed to a state administrative appeals board instead of having to be appealed to the Superior Court.

The Subcommittee has developed a proposed structure for the organization and operation of such a board. However, lack of time and of public participation has not permitted these recommendations to be completely developed. While the members of the Subcommittee recognize that these mechanical issues require further study before being cast in formal statutory language, they also feel that the development of affordable housing in meaningful quantities will not be possible without a board organized substantially along the following lines:

1. This board would be known as the Housing Appeals Board, and its procedures would be governed by the existing provisions of the Connecticut Administrative Procedure Act.

2. For-profit as well as non-profit developers would be eligible to appeal to the Housing Appeals Board a negative local zoning or planning decision on certain qualifying residential housing development proposals. The Connecticut Attorney General would also be authorized to appeal such a local decision concerning a qualifying development proposal, in order to protect the public's interest in developing and maintaining an adequate supply of affordable housing.

3. Only certain development applications would be appealable to the Housing Appeals Board (decisions on non-qualifying development applications could, of course, be appealed directly to the courts as under present law). Development proposals that could be appealed to the Board would have to meet one of the following criteria:

a. At least 20% of the units in the proposed development must be marketable to persons (other than the elderly) earning less than 80% of the region's median income, and include a mechanism for ensuring those units will be permanently available to such persons; or

b. At least 20% of the units in the development must be marketable at prices and rents that meet the Connecticut Housing Finance Authority's Price and Income Limits, and include a mechanism for ensuring that the units will be permanently priced within those Limits and/or made available to persons with income falling within those Limits; or

c. If a rental development, at least 10% of the units must be at rents affordable by persons (other than the elderly) earning less than 80% of the region's median income; or

d. The development is wholly or partially financed by a state or federal subsidy or financing.

4. The Housing Appeals Board could sustain the developer's appeal if it found the local land use commission's disapproval of a project was unreasonable and not consistent with local housing needs. If the Board finds that a proposal was approved but with such conditions and restrictions as make the proposed development uneconomic, the Board could remove the restrictions and conditions if in addition the Board found that the land use commission's decision was inconsistent with local housing needs.

5. The Housing Appeals Board could, if appropriate, uphold the municipal rejection of the development proposal if the proposal does not comply with the provisions of the State Planning or Zoning Enabling Acts.

6. A municipal decision would be deemed consistent with local needs (and therefore the municipality's decision could not be reversed by the Board), if more than 10% of the non-elderly, non-rental housing units in the municipality are subsidized or CHFA financed, or if the municipality has adopted in its regulations an inclusionary zoning program conforming to a model program developed by the Commissioner of Housing, and has enforced this program.

7. Decisions of the Housing Appeals Board could be appealed by the applicant, the municipality, or by the Connecticut Attorney General to the Superior Court in accordance with existing provisions of the Connecticut Administrative Procedures Act.

Explanation: This recommendation is modeled after a Massachusetts statute that was originally adopted in 1969. We have modified the Massachusetts act in several respects to take into account the situation in Connecticut in 1988. The Subcommittee believes that some mechanism must be provided for reviewing the consistency of local land use decisions with local housing needs in those communities where there appears to be no significant effort to minimize housing development costs. The mechanism must intrude as little as possible on sound local planning decisions and on legitimate community efforts to ensure proper land use patterns. But the Subcommittee believes that too often the equally important concern for providing an adequate supply of housing at affordable prices has been ignored in the decisions of local land use commissions.

The proposed Housing Appeals Board is designed to provide an expeditious and inexpensive review of a dispute between the developer and the commission in those cases where the provision of affordable housing is at stake. In other words, not every rejection of a development proposal could be appealed to the Housing Appeals Board. Moreover, if the municipality is providing some affordable housing, or has actually implemented an approved program for doing so, even the denial of development proposals that include affordable housing provisions could not be reversed by the Housing Appeals Board.

Like the Massachusetts program that has operated successfully for nearly twenty years, the Subcommittee's Housing Appeals Board proposal seeks to minimize interference with municipalities' land use decisions. If the community is effectively dealing with the need to provide affordable housing, the Housing Appeals Board will not have a role to play in that community's land use decisions.

#### RECOMMENDATION #3: MINIMUM FLOOR AREA REQUIREMENTS

The Subcommittee proposes that the Commission's report recommend the amendment of the State Zoning Enabling Act to prohibit the adoption of minimum floor area requirements for residential dwellings as part of local zoning regulations.

Explanation: The square footage necessary for the health and safety of residents is already regulated to protect those concerns, as part of building and health codes. The Subcommittee does not believe any concerns other than health and safety sufficiently offset the artificial increase in housing costs generated by the usually more restrictive zoning provisions establishing minimum floor areas for residential units.

RECOMMENDATION #4: MANUFACTURED HOUSING

The Subcommittee proposes that the Blue Ribbon Commission urge the adoption of legislation amending CGS section 8-2, to require municipalities to treat manufactured homes the same as other forms of housing in both zoning and subdivision regulations.

RECOMMENDATION #5: MULTI-FAMILY HOUSING

The Subcommittee recommends that each municipality exercising zoning, planning, or land use ordinance powers be required to zone a reasonable amount of its land, considering the municipality's location, population, and need, so as to permit multi-family housing without age-based restrictions.

Explanation: Everyone agrees that the only way any significant reduction in housing costs can be achieved is by reducing the cost of land. One way of doing so is by removing barriers to higher density of development, thus reducing the amount of land required for each dwelling unit.

RECOMMENDATION #6: MINIMUM LOT SIZES

The Subcommittee recommends that the legislature request the Departments of Health and Environmental Protection and the Office of Policy and Management to develop specific maximum land areas that can be specified as a minimum lot size that under normal conditions will protect public health, taking into account various soil types and water supply patterns.

Explanation. Many municipalities are moving toward a more flexible performance type of zoning when regulating housing density. The most commonly used criteria for these flexible density regulations are soil types, and the impact on groundwater. There appears to be significant disagreement as to the minimum density that is necessary to protect the public's health, or as to what circumstances justify for public health purposes, any minimum lot size when public water and sewers are available. A reliable set of standards would be of great assistance to municipalities in framing such regulations.

RECOMMENDATION #7: AMEND C.G.S. 8-2 RE: HOUSING OPPORTUNITIES

The Subcommittee recommends that the legislature amend the fifth sentence of Connecticut General Statutes section 8-2 (the zoning enabling statute) to read as follows:

Such regulations shall also provide for the development of housing affordable by all citizens of the municipality and their adult children, as well as by the town's board of education employees and its municipal employees, consistent with soil types, terrain and infrastructure capacity.

Explanation. This statutory modification establishes a standard of affordable housing in a municipality: it must be affordable, at a minimum, by its municipal and board of education employees, and by children of town residents who wish to continue to live in the town after they have become adults and establish their own homes. The change further requires a municipality to use its zoning regulations to facilitate the development of such housing. The change does NOT require a municipality to facilitate the development of housing for particular individuals whether members of one of the named categories or not, nor to supply it for them.

RECOMMENDATION #8: OPEN SPACE ACQUISITIONS AND HOUSING COSTS

The Subcommittee recommends that legislation be adopted that would require that any state grant of monetary assistance, for the acquisition of land for open space include a significant amount, on the order of 25% to 35% of the funds that will be used for the open space land acquisition, that must be used by the recipient municipality to purchase land for affordable housing.

Explanation. The Subcommittee is concerned that it be recognized that the legitimate interest in the preservation of open space by taking land off the market reduces the supply of land available for the development of housing, thereby increasing the cost of land. Recently, escalating land costs have been the single most important factor contributing to the crisis in affordable housing in our state. Reducing the supply of land that is suitable for housing will increase housing costs even more.

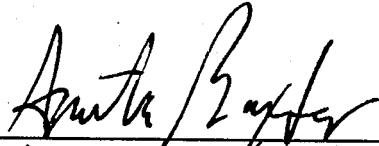
The Subcommittee's recommendation also reflects its belief that many municipalities are presently preserving significant amounts of open space through various regulatory programs, including zoning requirements for lots that exceed the minimum necessary for the protection of the public health or of water supplies; open space set aside requirements that are made conditions of subdivision approval; and subdivision regulations that prevent the inclusion for minimum lot size requirements of land already prohibited from being developed by inland wetlands agency regulations. In addition, several time-tested techniques for ensuring preservation of open space in conjunction with development of housing, such as clustered subdivisions, are permissible under Connecticut law for municipalities that are interested.

The Subcommittee notes that recently introduced legislation that would fund open space land acquisition through the imposition of a municipal land transfer tax requires that 50% of the earmarked receipts would be used for open space, and 50% for land acquisition for affordable housing.

Under these circumstances, the Subcommittee believes that it is not unreasonable to require that a significant portion of funds whose use will directly contribute to an increase in housing costs be set aside to purchase land that will be used to reduce housing costs.

#### CONDOMINIUM CONVERSIONS

The Blue Ribbon Housing Commission forwarded to the Land Use and Zoning Subcommittee for its consideration a report on the surprising increase in condominium conversions this past year. The Subcommittee is very concerned about Connecticut's loss of rental housing and the minimal production of additional rental units. The Subcommittee considered several alternatives, ranging from giving municipalities the right to regulate condominium conversions if they wished, to establishing a state policy that would provide greater protection to current residents of buildings that are being converted. Other suggestions have since been made, such as imposing a tax on conversions to condominium units priced ABOVE the levels the Commission has used as the definition of affordable housing. These alternatives involve complex issues, and the Subcommittee did not feel it had sufficient information on which to base a reasoned recommendation, nor sufficient time in which to evaluate the information that was available.



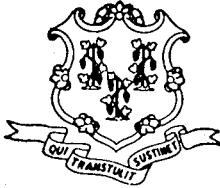
Anita Baxter, Co-Chair



Terry J. Tondro, Co-Chair

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Blue Ribbon Commission  
On Housing

State Capitol — Room 415  
Hartford, Connecticut 06106

Co-Chairmen  
Commissioner John F. Papandrea  
Arthur T. Anderson

Executive Director  
William J. McDonough  
203-240-8878

February 29, 1988

The Honorable John F. Papandrea  
Arthur T. Anderson  
Co-Chairmen  
Blue Ribbon Commission on Housing  
State Capitol Room 415  
Hartford, Connecticut 06106

Dear Commission Co-Chairmen:

The Commission's Subcommittee on Codes and Preservation is pleased to submit its final report and recommendations to the Commission. This report includes those recommendations presented in our January 8, 1988 report and ones discussed and agreed upon since that time.

I. State Building Code. The Subcommittee reached concensus that improvements in the uniform administration of the code as well as a review of the code itself could result in an over-all reduction in the cost of producing a unit of housing in the state. In particular, the Subcommittee recommends the following:

- A. The state should conduct a comprehensive review of the code and eliminate any elements which contribute significantly to the costs but not to the general welfare and safety of the public.
- B. The state should prepare a set of guidelines which would seek to ensure the uniform interpretation of the building code by all local building inspectors.
- C. The state should require a continuing education program under the supervision of the State Building Inspector for all local building inspectors.
- D. The state should review the administration of the appeals process to determine if there are ways to expedite this procedure.

E. The state should review its housing rehabilitation code, and take into consideration the need for "affordable" housing as the product of the rehabilitation.

F. The state should explore whether mobile-manufactured housing's compliance with HUD building standards, should constitute compliance with the state building code.

The Subcommittee also wishes to express its specific endorsement of some of the recommendations of the Report of the Governor's Building Construction Advisory Committee, (January 15, 1988). This report made a number of recommendations which were relevant to our housing related concerns. (We wish to clarify, however, that our specific endorsement of some of the Advisory Committee's recommendations does not indicate that we disapprove of their other suggestions. It is simply that we have limited ourselves to those items directly related to our field of inquiry and discussion.) Specifically, we endorse these recommendations from the Advisory Committee:

The State Building Inspector shall have the authority to make official interpretations of the state building code independently of the Codes and Standards Committee, with a subsequent review of those interpretations by the committee. Such interpretations shall be compiled, published, and indexed.

The State Building Inspector shall have the authority to overrule local building officials on interpretations of the code, and the state shall assert authority over local building officials to assure uniformity in the enforcement of the code.

The State Building Inspector shall monitor code enforcement on the local level. Municipalities continue to be responsible for enforcing the state building code, but the State Building Inspector will be given oversight authority.

The State Building Inspector shall have an adequate staff to fulfill these interpretation and oversight responsibilities.

Local building officials shall be required to attend training sessions sponsored by the Office of the State Building Inspector. Consideration should be given to the state's providing funds to compensate towns for the cost of periodically sending their building officials to these training sessions.

Revision of the BOCA (and CABO 1 & 2 Family\*) code should be adopted every three years by the State Codes and Standards Committee, and the supplement revisions to the code should be adopted annually.

\* The Subcommittee would add the words "and CABO 1 & 2 Family" because this is the stream-lined code under which much of Connecticut's housing is constructed.

The Subcommittee also endorses the Advisory Committee's recommendation that:

The State Building Inspector shall head a separate division...

except that this Subcommittee expresses no opinion as to whether the agency should be the Department of Public Safety or some other department.

**II. Preservation.** The Subcommittee recognized the critical importance of preserving the existing stock of affordable rental housing and the need to ensure that affordable housing is available. The Subcommittee recommends that the State should systematically target the use of all appropriate Department of Housing funds to units in danger of being lost from the housing marketplace. The State, in consultation with municipalities, should explore the feasibility of the development at the local level of incentives to rental property owners to continue to maintain their properties as rental units.

**III. Housing Needs of People with Disabilities.**

The Codes and Preservation Subcommittee recognizes the need for integrating the housing needs of persons with disabilities with the housing needs of the general population. This should be considered as part of a comprehensive plan including

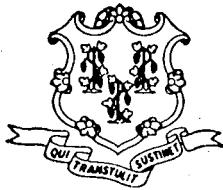
- \* availability of the Rental Assistance Program, and
- \* availability of grants to modify existing housing units, both private homes and multi-family apartments, to make them physically accessible to people with physical disabilities.

The Subcommittee also endorses the concept of adaptable housing (as more appropriate than "accessible" housing) and supports the idea of the state developing on a pilot basis, a project in which the units are built to minimum handicapped access standards and then adapted when necessary for use by people with physical disabilities.

Sincerely,

*Dick Kelley*  
Richard Kelley, Co-Chair  
Subcommittee on Codes & Preservation

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Blue Ribbon Commission  
On Housing  
State Capitol — Room 415  
Hartford, Connecticut 06106

Co-Chairmen  
Commissioner John F. Papandrea  
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203-240-8878

February 29, 1988

Honorable John Papandrea  
Arthur T. Anderson  
Co-Chairmen, Blue Ribbon  
Commission on Housing  
State Capitol  
Hartford, CT 06106

Honorable Co-Chairmen:

The Subcommittee on Finance and Programs is pleased to submit its final report to the Commission. We have met numerous times since issuing our interim report of January 8, 1988, to deliberate and refine our earlier concept statements.

As was stated in our interim report, the Subcommittee purposely favored an emphasis on new, multi-family rental construction. We also reached the conclusion that construction of mixed income, rather than solely low or moderate income, housing projects was preferable. Of the Subcommittee's seven recommendations, five build upon or expand current State efforts. Two, PRIME and the Connecticut Public/Private Turnkey Housing Program, are major new, complementary, State housing undertakings.

This report first summarizes our recommendations, then provides more detail, as appropriate, to support our beliefs. Lastly the Subcommittee considered 5 concepts which may have merit as ways to deal with the housing crisis. Nevertheless, the consensus was reached that these particular concepts required more investigation and clarification than time and resources available to us allowed.

The Subcommittee on Finance and Programs recommends:

RECOMMENDATION 1:

Mandate that the Departments of Housing and Administrative Services compile an inventory of excess land in Connecticut.

- a. DOH shall survey State, Federal and non-governmental unit parcels.
- b. DOH, utilizing the housing partnership mechanism, shall encourage municipalities to inventory their own, and corporate, land within their boundaries.

Further, DOH shall provide information and technical assistance to municipalities on how to establish community land trusts.

Explanation:

The Subcommittee views these actions as the first, necessary steps to address the problems of land availability and affordability for affordable housing.

The State, through DOH, is best capable of identifying non-local and non-governmental unit components. Due to their access to local land records, municipalities can most efficiently catalog their own and corporate holdings.

Additionally, the Subcommittee believes, it is important for DOH to assist municipalities who wish to explore the use of local land trusts.

Other land-related suggestions such as Housing/Land Trusts were deemed to require more study and are alluded to in a subsequent section.

RECOMMENDATION 2:

Continue and increase support of non-profit developers.

- a. Establish a revolving loan fund for up-front development costs of non-profit developers of low and moderate income housing.
- b. Establish a revolving loan fund for use in mutual housing and limited equity co-ops by households, earning less than 50% of the area's median income, to pay membership fees.
- c. Strengthen the non-profit developer administrative subsidy/technical assistance program.

- d. Continue support for the Community Housing Land Bank/Land Trust Program.
- e. Use DOH discretionary funds to provide adequate financial support for the limited equity/mutual housing program.
- f. Provide adequate support for the Housing Site Development Program.
- g. Extend and clarify certain sales and use tax exemptions found in the Connecticut General Statutes.

Explanation:

The loan fund for up-front development costs will assist non-profit developers with pre-development costs including option money, fees for architectural and attorney services, necessary permits and insurance. Recommended funding of \$2.4 million will assist to produce 1200 units per year.

The loan fund for use in mutual housing and limited equity co-ops will help very low income families utilize these alternative housing opportunities. Recommended funding is \$300,000.

In providing support for the Housing Site Development Program, it is recognized that one of the new gubernatorial initiatives is to combine this program with the Neighborhood Rehabilitation Program. It is felt that funding should reflect this proposed merger.

The exemption from Connecticut sales and use taxes for charitable and religious organizations as currently allowed in the Connecticut General Statutes should be amended so that personal property used or consumed in the operation of housing facilities for low and moderate income families and persons:

- (a) be interpreted to include facilities with mixed incomes to a cap of 140% of median income or a cap set by CHFA but no more than 25% over CHFA moderate income standards, and
- (b) be extended to include limited equity cooperatives/condominiums and mutual housing providing that there are permanent restrictions on appreciation.

The Subcommittee desires that this interpretation be reviewed by the State Tax Commissioner.

RECOMMENDATION 3:

Increase the State's commitment to State-funded rental assistance.

- a. Continue the emphasis on meeting the needs of persons and families who currently lack permanent housing.
- b. Continue and expand the State-rental assistance program for households earning less than 60% of the area's median income who expend more than 30% of that income on rent.
- c. Continue and increase utilization of rental assistance funds to new construction tied for a period of up to 15 years. For projects so funded, the amount of State funding shall be directly commensurate with the degree the State or other public entity can secure a perpetual equity interest.

Explanation:

The State currently has a rental assistance program (RAP) designed to provide both emergency and non-emergency assistance to the homeless and at-risk families and individuals needing rental assistance. The emergency component of this program has proven to be effective in moving families out of welfare hotels in New Haven. In addition, the program has a set-aside for a 100 unit pilot program in which the rental assistance funds will be used for new construction. In light of the results of the regional housing needs assessments, which indicated that a substantial portion of the State's low income renters pay more than 30% of their households' income on gross rent, a program providing rental assistance is clearly needed.

RECOMMENDATION 4:

Initiating a comprehensive State-wide effort to prevent the sunset of mortgage revenue bonds.

- a. Approve and forward a resolution from the Blue Ribbon Commission on Housing in support of mortgage revenue bonds.
- b. Urge legislators, Commission members and housing advocacy organizations to lobby on behalf of mortgage revenue bonds.

RECOMMENDATION 5:

Implementing a major new State Private Rental Investment Mortgage and Equity (PRIME) housing program which is a joint venture of DOH and CHFA to leverage State financial capabilities with private and federal resources.

Explanation:

This program requires both executive action and new

legislation. A draft of that legislation has been prepared and is available. The program involves:

- a. The production of new mixed-income rental housing by private for-profit and non-profit developers. Between 20 and 40 percent of the total units in the project would be low-income. The remaining units would bear market rate rents. As a goal, 80 percent of the total units in the project would be rented to tenants earning less than 96 percent of area median income (AMI). No unit would be rented to tenants earning more than 140 percent of AMI.
- b. All low-income units (LIU's) would be rented to tenants whose income, adjusted for family size, is less than 50 percent of AMI.
- c. Net tenant rent for each LIU would equal 30 percent of tenant income. Tenant income would exclude any Federal or State rental subsidy received by tenant.
- d. Each LIU would receive, if needed, a State direct rental subsidy certificate from DOH. Its general value would equal the difference between the LIU net tenant rent and the "market rate rent," for similar units in the project, including utilities. The rent subsidy commitment would be guaranteed for 15 years by the State.
- e. After year one, the "market rate rent" on each LIU would be frozen at the first year level. Net tenant rent to the occupants of each LIU would continue to be based on 30 percent of tenant income. Increases in rents on the market rate units, or non-LIU's, would be permitted.
- f. For each LIU the State of Connecticut, through DOH, would provide a one-time capital grant to the project of up to one-half the project's average unit cost. These grants would constitute a State "equity interest" in the project.
- g. The developer would provide an additional equity interest in the project equal to at least 10 percent of the project's replacement cost.
- h. The project's mortgage would be provided by CHFA and be a below-market non-recourse loan. Each project would be entitled to Federal low-income housing tax credits.
- i. The State, or CHFA could subsidize the interest rate on the project loan, typically through a lower interest second mortgage. If a State tax credit program is enacted, a project could also receive State tax credits.

- j. The State or its designee would receive an "equity interest" in the project. Any rent increases would require their prior approval of that entity. Also, the mortgage could not be prepaid without prior approval. The State's "equity interest" or share in the project would be at least the percentage of LIU's in the project.
- k. This program would be permitted for multi-family or the elderly. Projects would have to be at least 25 units.

#### Advantages

The program will significantly reduce State subsidies required to produce a unit of low-income rental housing which could remain "forever" housing. The housing would be mixed income housing, therefore, possibly more agreeable to local communities and in a sense "better" housing than projects which are all low-income. The program also will leverage greater amounts of private capital for low and moderate income rental housing. It will allow us to produce more rental housing in general and specifically more low-income housing.

#### Implementation

This program would produce 4,200 additional units of traditional rental housing in the next two years by jointly marshalling the resources of DOH and CHFA, and fully leveraging private and Federal resources. This is ambitious, but it is essential to undertake quickly because of the need and the possible "sunset" of the Federal Low-Income Housing Tax Credit Program. Of these 4,200 units, an estimated 1,250 would be very low-income. Another 2,100 should be moderate income rentals. The program at that level requires over the period:

1. \$50,000,000 in DOH capital grant funds;
2. 1,250 DOH rental subsidy certificates, with 15 year commitments;
3. \$4,000,000 in Federal Low-Income Housing Tax Credits;
4. \$150,000,000 in taxable bonding by CHFA;
5. \$100,000,000 in Federal tax-exempt bond authority from the State's allotments for private activity bonding by CHFA; and
6. The passage of enabling legislature by the General Assembly this session.

RECOMMENDATION 6:

Institute a pilot Connecticut Public/Private Turnkey Housing Program as another means of stimulating construction of affordable rental housing.

Explanation:

This program can be effected under existing state legislation and involves:

- a. Designation by CHFA or DOH of a State sponsor;
- b. Solicitation of proposals from for-profit developers to design/build projects under a set of established specifications for a fixed price;
- c. The State sponsor taking title to the property and arranging with private for-profit or non-profit agents the rent up and management of the property;
- d. The State sponsor will develop public purpose policies and procedures for implementation of the program;
- e. The State sponsor will utilize below market rate financing provided through the issuance of tax-exempt bonds by CHFA.

Advantages

- a. Increase stock of mixed-income housing;
- b. Because of public ownership, protects low income units and prevents condo conversions;
- c. Removes disincentives of federal restrictions put on private developers by Tax Reform Act;
- d. Creates competitive environment among developers.

Illustrative Program Implementation

Sponsor: A non-profit corporation created by CHFA. Corporation has five member board which includes two CHFA staffers and three private sector appointees with expertise in multi-family housing development and property management.

Programs: The sponsor will hold title to and assume ownership responsibility for properties developed under two CHFA programs as follows:

- o Moderate Income Affordable Housing Program. Under this Program 80% of the units are market rate and 20% of the units are reserved for tenants with incomes less than 80% of the area median income. There are no rental subsidies in this program.

- o Mixed-Income Affordable Housing Program. Under this Program 60% to 80% of the units are market rate and 20% to 40% of the units are reserved for tenants with incomes less than 50% of the area median income. Incomes are adjusted for family size. DOH subsidies are available for the low-income units.

Development Proposals: Sponsor will solicit development proposals from private contractors/developers on a statewide basis. An RFP will be prepared which includes:

- o Outline of programs;
- o Specific developer requirements, including responsibility for obtaining land, zoning approvals, construction cost estimates, allowance for property management, etc.;
- o Developer profit allowance (est. 20% of total development cost), and;
- o Application forms.

Proposal Review: Sponsor/CHFA staff will review developer proposals under a two-stage approval process.

- o Conditional commitment to be provided at an early stage in the development process based upon developer's preliminary estimates of feasibility;
- o Final commitment to be provided upon receipt of all approvals, acquisition of land and signed construction contract.

Proposals will be approved if they are in compliance with program requirements, and if the development cost is reasonable.

Property Acquisition: The Sponsor will purchase the fully developed property upon completion under the terms of the final commitment. The Sponsor will utilize a private property management company to rent-up and manage the property in compliance with the programs.

RECOMMENDATION 7:

Leverage capital and increase private sector involvement in the production of low and moderate rental housing in Connecticut through the use of State tax credits.

Explanation:

Two recommended actions both require the passage of legislation by the General Assembly and involve:

- a. The establishment of a new \$5 million dollar annual allotment to be administered by the Departments of Revenue Services (DRS) and Housing. The Commissioner of Housing would be empowered to assign, through a system of vouchers, credits against the corporate franchise tax or the capital gains, dividends, and interest tax for developers and investors in the construction of new low and moderate income rental housing. The assignment of these credits would be determined on a project-by-project basis and would only be awarded when, and to the extent necessary to make, a project economically feasible for low income tenants because other State or federal subsidies are inadequate.
- b. Clarification that the interest income on taxable bonds sold by the State or Connecticut Housing Finance Authority for the financing of low and moderate income housing construction and development is not subject to the State corporate franchise tax.

#### Advantages

- a. It is very difficult to establish an independent tax credit program which generally assists the production of affordable housing. Such credits are very powerful and their use and benefit must be controlled, targeted and measurable. Similarly, the revenue loss to the State must be measured and contained. Credits, however, can be a very efficient way to provide State subsidies and constitute a much smaller cost to the State in the long term than capital bond subsidies for an equal amount of benefit. In summary, they are best assigned to a specific project only on an as-needed basis. The manner of their application must also be flexible since each project can be unique. Experience with the Federal Low Income Housing Tax Credit and other State credits have taught us this and helped us learn how to effectively administer and use such a program.
- b. There is no longer an unlimited amount of federally tax-exempt bonds which can be sold by the State for housing. This means the State and CHFA, as indicated in the PRIME program, will have to issue federally taxable bonds in order to finance the production of large numbers of low and moderate income rental units. When a Connecticut corporation purchases federally tax-exempt bonds it is our understanding that the interest income generated is not calculated in the corporate franchise tax calculation. If taxable bonds were purchased, it would be. This will impair the private placement and purchase of Connecticut bonds by Connecticut corporations. If this were not the case, there could be significant incentives for Connecticut corporations to purchase such taxable bonds. Lower mortgage rates would be possible, and the private placement of bonds with

corporations for housing projects which benefit their employees would be facilitated. This would allow, particularly, the negotiation of lower interest rates.

#### Implementation

- a. The State tax credit program would be established by amending the \$1 million State tax credit program established last year for non-profits receiving funds from corporations.
- b. The elimination of applicability of the corporate franchise tax would be implemented by adding such language as the following to the Connecticut General Statutes:

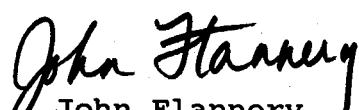
"A corporation having income, principal and interest, derived from bonds issued by the state or a political subdivision thereof, the proceeds of which are used to finance low and moderate income housing in this state, shall have a credit against state corporate franchise taxes imposed by Chapter 208 of the Connecticut General Statutes in an amount resulting from the multiplication of the income derived from such bonds by the applicable corporate franchise tax rate."

The areas determined by the Subcommittee to deserve further study include:

- a. Creation and make-up of a State Housing Trust Fund.
- b. Efficacy of reimbursements to municipalities for tax abatement for low and moderate income housing.
- c. Development of a specific program to encourage employers and employee associations to take active roles in creating housing for their employees and members.
- d. Determination of appropriate State action regarding the loss of low and moderate income units through prepayment of Section 236 programs.
- e. Exploration of ways the State can expand its activities to generate traditional homeownership opportunities for low-income families, for example through construction of low cost single family units.
- f. Exploration of ways to put a cap on the appreciation of multi-family housing.

Respectfully submitted,

  
Robert J. Baskin *ms*  
Co-Chairman

  
John Flannery *ms*  
Co-Chairman

THE CENTRAL HOUSING COMMITTEE  
STATE OF CONNECTICUT

B-1



MENT OF THE  
COMMISSIONER'S OFFICE

JAN 21 1987 PM

18, 9, 10, 11, 12, 13, 14, 15, 16

Date: January 21, 1988

To: Blue Ribbon Commission on Housing  
Hon. John F. Papandrea, Arthur T. Anderson, Chairmen

From: Central Housing Committee  
Lisl Standen, Chairman

The Central Housing Committee has carefully considered the Housing Needs Assessments that have been prepared by the 15 Regional Councils of Government. CHC was greatly assisted in this task by the Regional Housing Councils and their chairmen and at-large members.

From a preliminary analysis of the data, under the definitions employed in the Needs Assessments, it would appear that over 15% of the households in Connecticut are in need of adequate housing. It should be emphasized that the present Housing Needs Assessments concern only total regional needs with no allocations of responsibility on a town by town basis and do not refer to the needs of separate localities, though local raw data has been included on occasion. CHC feels the establishment of fair housing goals and compacts would be the next logical step to proceed with to continue addressing the housing and other related needs of each region.

It is clear that the housing needs for low, moderate and middle income families in all regions are great. The steep rise in land costs and the costs associated with construction have been a major factor everywhere. There are, of course, variations in conditions and emphases from region to region, such as: large concentrations of university students and the homeless, the increase in second homeownership, the need for housing for wage earners who commute long distances, increased employment, excessive protective zoning regulations, inadequate infrastructure and the general stigma that surrounds low/moderate income housing. In order for Connecticut to continue with a balanced economic growth, it is essential that the State legislative body address the specific housing needs of the regions and localities. Assistance will be needed so municipalities can adequately house their municipal employees, teachers, service personnel as well as their children and elderly families who cannot find affordable housing within the community.

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CHC supports the Needs Assessments result that more affordable housing is a critical issue and would like to recommend the following actions:

- The Blue Ribbon Commission should declare that the production of low/moderate income (0% to 125% of median income) housing is the greatest need and concentrate on this sector.
- Establish goals for meeting housing needs according to the Regional Assessments.
- Expand tax incentives from the state and federal level to promote low/moderate income housing production by housing authorities, non-profit and private developers.
- Establish incentives for the use of local, state, and federal tax dollars to leverage the production of low/moderate income housing.
- Prevent or offset the loss of federally subsidized, privately owned low/moderate income housing built in the 1960's, while at the same time being sensitive of the private sectors' needs.
- Streamline the processing of State grants and low interest construction financing applications.
- Mandate State guidelines for town/city land use agencies which will streamline procedures of gaining necessary approvals.
- Require zoning modifications, such as an increase in density in exchange for affordable units, application of a fair share formula, the accommodation of multi-family housing, the use of public land for housing and recycling of unused buildings into housing.
- Fund the existing Trust Fund for infrastructure improvements to municipalities leveraging the private and public cooperative effort which will assist in promoting housing production.
- Provide State grants or low interest loans to meet the time gaps between state and federal programs of actual development costs of low/moderate income housing.

Page 3

- Continue to increase state funding for rent subsidies.
- Provide technical and administrative loans and/or grants for housing authorities, non-profits, and private motivated housing developers who commit themselves to low/moderate income housing.
- Provide financial assistance to Regional Planning Organizations to provide professional staff to municipalities to address housing issues, and to support the work of Regional Housing Councils.
- Establish a regulatory process that will insure in perpetuity that assisted housing, both rental and homeownership, will continue to be used by the groups for which it was originally intended, while also permitting a reasonable return on investment to the holder of the same.
- Provide sufficient funding to insure that assisted multi-family housing be improved and managed to its maximum capacity both physically and administratively.
- Require the financial institutions to modify their underwriting criteria in view of the high cost of housing.
- Require the building trades to examine the application of technology that would reduce costs.

These are only some of the possible alternatives and recommendations that the State of Connecticut can use to lead the nation in housing production. Additional relevant information has been attached from the regional housing councils which relate to their regions.

The Central Housing Committee is confident that the Blue Ribbon Commission will take into consideration, in its master housing plan, the diversity of need from region to region, which can be met through a cooperative effort between the State of Connecticut's housing finance agencies, housing authorities, non-profit associations, and the public and private sectors with the assistance of the legislative body.

## STATE OF CONNECTICUT

## BLUE RIBBON COMMISSION ON HOUSING

Chairmen

Arthur T. Anderson  
 President  
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 635 Farmington Avenue  
 Hartford, CT 06105

The Honorable F. John Papandrea  
 Commissioner  
 Connecticut Dept. of Housing  
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BLUE RIBBON COMMISSION ON HOUSING LEGISLATIVE RECOMMENDATIONS

<u>PASSED</u> (fourteen)		<u>FAILED</u> (seven)	
6043	Partnership	(1)	5935 Co-op/Mutual Revolving Fund (4)
5957	PRIME	(2)	5937 Adm. grants to non-profits (4)
5952	Flexible Affordable	(2)	5941 Community Housing (4) Land Bank and Trust
5958	Predevelopment loans (in 5951)		
5934	Similar (into 5951) (4)		
5951	Grants & loans to partnerships (4)		
5939	Housing & Site Development merged w/ Neighborhood Rehabilitation Program (4)		5942 Housing Site Development (4)
5938	Improve & expand RAP (5)		
5955	Tax credits for housing (6)		
SB 336	Codes/Building Inspector (7)		
5960	State Surplus land for housing (9)		
6045	PHA to report (10)		
5554	Inclusionary Zoning (11)		5932 Minimum square ft. (12)
5962	Manufactured Housing (13)		Multifamily hsg. (14)
5954	Mortgage Prepayment (23)		SB 529 Rewrite 8.2 to set standard for afford. in municipalities (16) and funds set aside for land for afford. (17)
5949	Blue Ribbon Commission (25)		Building Code review (20)
5960	BCR/Infrastructure in 5933 (25)		6041 Special Needs pop. (24)
5933	BCR study (26)		

OTHER:

- (3) State-as-Developer programs: Bill not needed. CHFA/CHA can do.
- (8) Targeting of DOH programs: Passage of bill not needed. DOH can do.
- (15) Minimum Lot Size/Environmental Impediments (HB 5946): May be accomplished by letter from leadership.
- (18) Housing Appeals Board: Passage of bill was not really expected.
- (19) DOH Statute revision: Bill not needed. Law Revision Comm will do.
- (21) Memorialization on Mortgage Revenue Bonds.
- (22) Memorialization on Section 8 Existing.

All numbers in parentheses refer to numbered BRC recommendations (1)-(26).